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PREMIER'S ADDRESS
ON
ONTARIO'S ECONOMY
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Good evening.

I want to talk to you tonight as directly as I can about our province: what's happening to our economy, the government's budget situation, and some of our plans to help build a better future for Ontario.

Many of you phoned, or wrote, or talked with me to pass on your thoughts about what I should say tonight. I got some good advice - even if it wasn't all the same! But if there was one common message among all those different views, it was to tell it like it is.

I know you're fed up with being told only half the truth, or sometimes none at all. There isn't much trust out there for what politicians of all parties have to say. I understand that. You deserve better.

Tonight there will be some tough news. These are tough times, as you all know.

But there's also some good news. This is no time for pessimism or giving up.

We're wrestling with some of the hardest challenges we've ever had to confront. But just think for a moment about what we have in Ontario: our people, our skills, our resources. This is a great province, in a great country.

It's not going to get better overnight. We didn't get into this mess in a day, and we won't get out of it in a day either.

But are there reasons to be hopeful? Yes. Should you be optimistic that it's going to get better? You bet.

But let's start with the tough stuff.

Today, my government - for the first time in this province's history - opened the books before a budget to share with you a complete report on our finances: what we spend money on, and how we raise and borrow money.

We didn't share this information before last year's budget, and I wish we had. We've learned how important it is to do that, and how much we gain from the views and opinions of people.

That's why we opened our books now, before we decide the rest of budget, because as far as we're concerned it's your right to know what's happening to the government's balance sheet - and your tax dollars.

If you'd like a copy of this report, we'll let you know how you can get one in a few minutes.

We've already had to make some difficult decisions because of our financial situation.

Today we told municipalities, hospitals, colleges, school boards and universities that they are being held to the lowest increase ever.

Let me explain why.

We've had a rough couple of years in Ontario, and Canada: free trade, a lot of lost jobs, the expensive dollar, GST, a tougher global market. It's not just a recession: our economic world has changed, and it's not going to be business as usual ever again.

Our balance sheet in government has been hit hard, just as yours has been. We're taking in less money, but our costs are up because of the demands from all sides.

Reading the newspapers and watching TV, you might think that everybody just wants government to cut back. But from my chair it's a different story. People from all walks of life rely on the government to play a role in the economy, and they look to us - and their fellow taxpayers - for help.

Farmers, small business owners, mayors, laid-off workers, even some of the largest companies in Ontario: these and more are saying they need help to get them through the hard days. Don't talk to them about government cutting back!

When it came to last year's budget, we decided to take on the recession, and fight it. We invested more money than ever before in building bridges and roads and schools and homes - and building those basic assets is good for all of us.

We've worked closely with many businesses that have a strong future - and we used the resources of government - to help them stay open and grow.

As part of our commitment to jobs, we've invested in training, research and development in key industries - in co-operation with business and workers - to make sure Ontario can take advantage of new opportunities.

We helped the employees of bankrupt companies by making sure they got the wages they were owed even if their employer wouldn't pay.

Yes, the deficit grew, and not everybody liked that. But we believed then, and we believe now, that our public services like schools and hospitals, are too fundamental to our prosperity, and our quality of life, to be abandoned by this government, or any other.

Building a fairer society, with good public services, must not get put on hold, especially in a tough economy. Sure it's easier to make progress in good times. But this government will not forget its commitment to people.

This year I'm pleased to say the economy will get better, but the recovery is going to take time, and certainly won't make up for all the jobs lost in recent years.

On the income side, and I'll be blunt, we're really getting hammered. When people lose their jobs, and companies go out of business, and everybody spends less, government revenues fall. It's really as simple as that. At exactly the time when demands have never been higher in the province, in fact we have less money to handle them.

And as hard as the recession has hit Ontario, the federal government - despite the billions of dollars we send them every year from this province - isn't paying its share of our health, education and social assistance budgets any more. That's added tremendous pressure on our costs.

And that's why I say we're facing some tough choices. We've got to find that balance between the cost of the services people need and expect, and what we can afford.

The report we released today shows clearly that, as matters stand right now, our operating deficit will be high - too high. To get it down we're going to have to make decisions about spending and about taxes. These are the decisions we're making between now and the spring budget.

We want to do this in a way that's as fair as possible, that maintains key supports for people who need them most, and that doesn't make the recession worse.

We've put tough controls on spending as we've continued to strive to reduce the deficit, and we started taking those steps last year. I want you to know what your government has done:

- We started at the top, and last October we froze the salaries of Cabinet ministers and members of the legislature. We froze salaries of deputy ministers, more than a thousand other senior government officials, and the heads of government agencies.

- We've cut the non-salary budgets of all government ministries by 10 per cent.
- We've negotiated an agreement with our own employees for a two-year contract that will, if ratified, give them a one-per-cent wage increase this year and a two-per-cent increase next year.
- We've put controls on health coverage when people travel out of the province, and restricted the use of clinics in the United States for services that are here in Ontario.
- We're looking at a huge range of government activities to find further savings, cut waste and deliver services better. Those decisions will be announced in the budget this spring.

And today, as part of our commitment to get costs under control, I am announcing that we're limiting transfers for basic operations in our hospitals, municipalities, schools, universities and colleges to just a one-per-cent increase this year and two-per-cent in each of the next two years. That's just five-per-cent, spread over three years.

I want to talk about this decision with you, because it's an important moment for our province.

Let me try to compare how governments make decisions with how a family makes decisions.

There aren't many people who can go out and buy a house with cash. Most people have mortgages if they own a home. Most people need a loan to buy a car.

It's not much different for government. When we build a highway, or a rapid transit system, or a school, it's like borrowing to buy a house: it's our investment in a lasting asset.

But there is a problem if we're not paying as we go for things like health care and welfare. Because of the recession, many people who want to work have been forced on welfare, and our costs have gone up nearly \$3 billion in two years. The costs of health care have gone up even more. We have to pay for these programs.

So it's not a matter of whether deficits are good or bad, any more than your mortgage or your car loan is bad. It's a matter of what we can afford.

And we are determined not to be spending so much of our money on paying off interest that we lose our ability to respond to human needs - in good times and in bad. We have to take charge now, to make sure we have the money for investment and job creation.

With inflation now expected to drop to close to two-per-cent this year, we can't keep on funding programs at several times that rate. That's a blunt message, and how our public services handle this reality is their most serious challenge in decades.

And how they do will affect you directly.

Let's look at hospitals. For the last three years, they got almost ten-per-cent more money each year from the provincial government. Today, hospitals learned that they'll get one-per-cent, and over three years a total of five-per-cent. That's a big - and sudden - change.

So a hospital has two choices.

It can cancel programs, cut beds, and fire staff.

Or that hospital has another choice: everyone concerned - the board of directors, the workers, the unions, the management, other hospitals, the community - can sit down together and work out a way of reconstructing their services to cope with these new financial realities.

We're facing inevitable, but necessary, change. And we want people all across Ontario to see this as an opportunity to reconstruct our public services to deliver them more efficiently, and effectively.

It will be difficult - in some cases, very difficult.

But to manage this change, we must come together with every bit of imagination, creativity and co-operation we have, and work out the fairest ways to maintain services, streamline operations and preserve jobs.

It's clear that wage increases - at every level - must be moderated to protect jobs, and to allow us to invest more in the future.

I want to emphasize this point very strongly: from hospital administrator to doctor to nurse, from director of education to classroom teacher, the solutions must be shared, across the board.

I want our partners in all those sectors to know that we realize things have to change. We need to cut down on the duplication between us and municipalities and school boards. We need to get more health dollars directly into the community, particularly for the elderly.

We'll be there to help in the restructuring. No one's out there on their own.

That is the challenge: take a deep breath, and plunge in with a determination to be fair, to be realistic, and, above all, with a profound commitment to protect our network of public services.

But there is an even greater challenge, to all of us in Ontario.

We have to get this province moving again. If we're going to keep and improve services for people, if we're going to build that fairer society, we have to get the economy going. And I commit this government to working with you to that end.

That's why our first priority is jobs. By investing in Ontario, and investing in our people, we can save jobs, and create new ones. And that's the strategy of this government.

Last week I was at the Canadian General Electric plant in Oakville where, with the help of your government, the company is making its largest-ever investment in Canada. This is a great vote of confidence in Ontario, and in the future.

It's a project that has brought together business, labour, governments and Ontario Hydro in a partnership to create jobs in Ontario by making energy-saving lamps to sell around the world. Good for the environment. Good for jobs.

Let me run through just some examples of how our strategy on jobs is working:

- We're laying the foundations of the most ambitious training scheme in North America, bringing business, labour and the community together to make sure people are getting the right kind of skills.
- We're investing in research and development for new products that we can make here in Ontario, and sell in markets around the globe, by working with universities, colleges and private industry.
- This year, we'll create thousands of jobs by building housing in every part of the province.

- To increase investment, we're setting up a fund so pension plans support business and jobs here in Ontario.
- A new worker ownership program we introduced last year allowed workers, the community and the private sector to join together to run a paper mill in Kapuskasing in Northern Ontario, saving hundreds of jobs and providing a new future for the community.
- We're focusing our industrial strategy on new ways the government can encourage investment and job creation in Ontario: helping new industries locate in Ontario.
- To give a boost to the construction industry, I've proposed that people be able to use their RRSPs to buy and fix up homes. We need Ottawa to agree, and that's the kind of leadership the federal government can provide in these times.

In early February, we expect the premiers and the Prime Minister to meet in Ottawa to deal with the economy.

When we last met before Christmas, I supported the call for new investments in capital projects across Canada: the federal government, provinces and municipalities co-operating to give a kickstart to the economy, and create jobs.

Tonight I am announcing that I intend to tell the Prime Minister that this province needs a massive investment in capital projects to help get people back to work, and invest in our future.

We want action now. We need to create jobs now. And this government is prepared to act and match any federal contribution dollar for dollar.

What better way to show the people of Ontario that governments in this country can work together.

What better message to the thousands of men and women who want to work, but instead are on welfare.

I know that many of Ontario's local governments - grappling with high rates of unemployment - will join us in a program of capital improvements to make Ontario an even better place to invest, work, and live.

This would be a great shot in the arm for our province.

With governments co-operating, and the private sector participating, we can give the economy a boost.

That's the commitment Ontario needs now, as we climb out of the recession back to economic health. Let's get ready for the recovery, training our young people, investing in our province, making sure Ontario will grow in the new economy out there.

I've learned in my 16 months as your Premier that government can't do it alone. And neither can anybody else. Not the business community, not the labour movement, not community groups. We need partnerships. We've proved they can work.

Our government will seek out new ideas, from whatever source. We'll listen, we'll discuss, and we'll decide.

You told me you wanted me to tell you like it is. I've tried to do that. There are no miracles. We've still got some tough times ahead. But I have confidence that, if we pull together, the greatest years for Ontario, and Canada, are still ahead.

Good night.



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